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The President's Daily Brief

31 October 1973

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~~*Top Secret*~~

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THE PRESIDENT'S DAILY BRIEF

31 October 1973

PRINCIPAL DEVELOPMENTS

[redacted] 25X1 25X1

[redacted] *(Page 1)* 25X1

[redacted] 25X1

With the cease-fire taking hold, Israel is pushing hard for return of its prisoners-of-war. Cairo continues to insist, however, that it will exchange prisoners only after Israeli troops return to positions held prior to the cease-fire. *(Page 3)*

Having decided to make an example of the Dutch, the Arabs are drawing the noose still tighter. Libya and Bahrain announced yesterday that they will ban oil shipments to the Netherlands, and the Saudis are likely to do the same. *(Page 5)*

Some West Europeans have begun to suggest that the US take the initiative on oil sharing in view of the disarray within the EC over attempts to develop a common response to Arab oil cutbacks. *(Page 6)*

Venezuela is considering requiring foreign oil companies to make royalty payments in oil instead of cash. This would probably result in the diversion of some oil to countries willing to outbid US companies. *(Page 7)*

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Communist military action has increased in widely scattered areas of South Vietnam, but the major attacks that had been forecast north of Saigon have not materialized. [redacted] 25X1

(Page 8)

Notes on recent Soviet propaganda treatment of the US and on Soviet-Iranian economic cooperation appear on *Page 9*.

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USSR - MIDDLE EAST

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ISRAEL

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ARAB STATES - ISRAEL

With the cease-fire taking hold, Israel continues to push hard for return of its prisoners of war. Cairo has made some conciliatory gestures--agreeing to hand over the names of some POWs, for example--but Foreign Minister Eban told Ambassador Keating yesterday that the Egyptians still have a long way to go to meet Israeli demands.

Eban said Tel Aviv wants a total exchange of POWs in the next week or so, and he stressed that Israel's attitude concerning humanitarian help for the Egyptian Third Army will be influenced greatly by Cairo's behavior on the POW issue. The Israeli Foreign Minister also expressed acute anxiety over the fate of prisoners in Syrian hands, adding that Tel Aviv has begun to document Syrian atrocities. Ambassador Keating reported that Eban's remarks reflect the present mood in Israel--one of "great, almost consuming concern" with the POW issue.

Cairo's insistence that it will exchange prisoners only after Israeli troops return to positions held prior to the cease-fire of October 22 will hamper the negotiations. Syria has not yet responded to Israel's POW exchange proposal. 25X1

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US diplomats in Cairo report that the Egyptian press is becoming increasingly bellicose. The semi-official daily Al Ahram yesterday picked up the theme of authoritative columnist Ihsan Abd al-Quddus that Egypt should not lay down its arms but rather prepare for a "greater and more violent battle." This may be largely bluster designed to obscure Cairo's recent military reverses, which are only gradually becoming known to the Egyptian public. Al-Quddus, however, often reflects government views; he was the only important Egyptian commentator calling for war prior to its unleashing on October 6.

The Egyptian news agency has announced that Soviet First Deputy Foreign Minister Kuznetsov arrived in Cairo yesterday. Kuznetsov has performed as trouble-shooting emissary abroad during periods of tension in the past.

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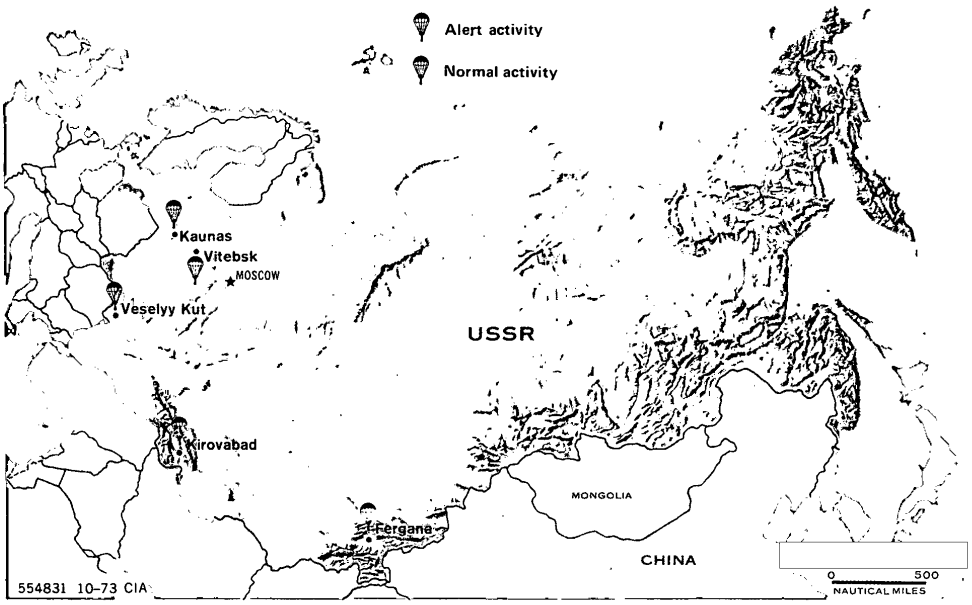
Soviet Airborne Installations Photographed



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ARAB STATES - NETHERLANDS

The Arabs, having decided to make an example of the Dutch because of their pro-Israeli stand during the fighting, are drawing the noose still tighter. Libya and Bahrain announced yesterday that they are imposing a total ban on oil shipments to the Netherlands. In addition, Saudi Arabia has threatened to cut its oil exports unless The Hague denounces Israeli aggression and calls for withdrawal from Arab territory. [redacted] 25X1 25X1 25X1

The Netherlands is an important oil processing and distribution center for Western Europe. Consequently an oil embargo would have far-reaching effects there.

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EC-US

Some Europeans have begun to suggest that the US take the initiative on oil sharing in view of the disarray within the EC over attempts to develop a common response to Arab oil cutbacks. EC energy commissioner Simonet cited several obstacles to the development of an internal community policy:

--The British still believe that the international oil companies can deal effectively with the Arab oil producers;

--The French, concerned about maintaining their own ties to the Arabs, are wary of any EC oil policy that would be tantamount to a community foreign policy.

--The West Germans are opposed to any common EC policy that would be contrary to US views.

Simonet suggested that the US should propose an "energy charter," which presumably could be used as point of departure for developing a US-European oil policy. The Dutch, increasingly worried over Arab action in singling them out for an oil embargo, have also asked about US willingness to participate in an oil-sharing scheme. Meanwhile, a high Luxembourg Foreign Ministry official told the US Embassy on October 29 that now might be the time for the US to offer proposals on energy cooperation.

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VENEZUELA-OIL

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[redacted] Caracas is considering requiring foreign oil companies to make royalty payments in oil instead of cash. Such payments could amount to about 600,000 barrels per day, which the state oil company would presumably sell to the highest bidder. 25X1

Such action probably would result in the diversion of some oil to countries willing to outbid US companies. Brazil's state oil company, for example, reportedly needs 300,000 b/d to replace anticipated losses from the Middle East and can afford to pay a premium price. The Conference of Latin American Energy Ministers now being held in Lima may exert additional pressure on Caracas to provide more oil to Latin America.

With Venezuelan general elections only a few weeks away, the governing Social Christian Party probably hopes that such a move would attract more popular support for its presidential candidate, who is in an extremely close race.

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SOUTH VIETNAM

Communist military action has increased in widely scattered areas, but the major attacks that had been forecast north of Saigon have not materialized. Sources continue to report, however, that the Communists plan to intensify harassing operations in November and December, particularly in the provinces around the capital.

Local Viet Cong forces are being told that they will contribute to a nationwide--but limited--military "campaign." Communists in Long An Province have been told that the purpose is to force Saigon's compliance with the Paris cease-fire agreement and to counter the government's increasing military boldness. Other major goals are to secure rice and rebuild sagging Viet Cong morale.

Saigon's forces have carried out extensive spoiling actions north of the capital that may have set back any Communist timetable for major attacks in that area. Senior military officers continue to believe that the Communists could launch a major offensive, but they are now convinced that the action in the next few weeks will focus on increased harassment of isolated and outlying government positions.

Prime Minister Khiem recently said that the government does not have the hard evidence to predict a major North Vietnamese offensive in the coming dry season. He does expect fairly active fighting in Dinh Tuong, Tay Ninh, and Pleiku provinces lasting through the 1974 dry season.

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NOTES

USSR-US: The Soviets have begun since last Friday to cast doubt on US justification of last week's military alert. Soviet propaganda has embroidered on Moscow's first public reaction to the alert--a TASS statement of October 27--by relating Washington's action to domestic political events in the US. Moscow has also been reporting negative reactions in Western Europe. [redacted] at yesterday's session of SALT in Geneva, Semenov reverted to harsh polemical charges concerning the arms race, although he avoided any specific allusion to events connected with the situation in the Middle East.

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USSR-Iran: A protocol signed by the two countries last week will boost economic cooperation. The most important provision calls for Iran to deliver natural gas to the Soviet Union for local use. This will help solve Soviet internal distribution problems and will enable Moscow to export other gas from fields in the western USSR to West Germany. Under the protocol the Soviets will participate in a wide range of projects in Iran. They agreed, for example, to build two large thermal power plants, two cement factories, and a petrochemical plant.

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ANNEX

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